

**Annotated Bibliography on Agricultural Credit
and Rural Savings**

Volume XVII

**(A Special Issue on Credit Guarantee Schemes
for Agriculture and Small, Medium and Microenterprises)**

November 1996

A Publication of:

RURAL FINANCE PROGRAM
Department of Agricultural Economics
and Rural Sociology
The Ohio State University
2120 Fyffe Road
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PREFACE

This bibliography on credit guarantee schemes for agriculture and small, medium and microenterprises has been prepared by the Department of Agricultural Economics at The Ohio State University, USA, in collaboration with the FAO Rural Finance Group in AGS. Its objective is to disseminate information to development agencies, policy makers and researchers. The publications for this bibliography were collected by Richard L. Meyer and Geetha Nagarajan and abstracts were prepared by Geetha Nagarajan at The Ohio State University. The majority of the articles cited are to be found at the ACTS library collection at The Ohio State University.

The most important criteria used in the selection of documents for the bibliography was that they covered credit guarantee schemes initiated by donors and governments to promote agriculture, small, medium and microenterprises and that they include various geographical regions.

We are very much appreciative of the financial assistance received from FAO in preparing this manuscript. Special thanks to Richard Roberts, Pekka Hussi and Ake Olafsson of FAO, and to J.D. Von Pischke in locating materials for the bibliography. We also acknowledge the secretarial assistance provided by Lori Karn, Ohio State.

The present bibliography follows the layout of previous bibliographies. Requests for copies of this bibliography and information regarding publications listed should be addressed to:

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**Annotated Bibliography on Credit Guarantee Schemes for Agriculture
and Small, Medium and Microenterprises**

1. ACCION International, "A Decade of Guaranteeing Success," ACCION International Bulletin, Vol. 30, No. 1, Winter 1995, pp. 1-3.

The design of the ACCION guarantee scheme is described in this report. It guarantees bank loans made to well performing ACCION affiliates in Latin America to lend to small and microenterprises. The composition of that guarantee fund and the mechanism of leveraging it through banks are discussed and placement of the ACCION guarantees in several Latin American countries is outlined.

Key: ACCION International, Small and microenterprises, Leverage, Latin America.

2. Asociacion LatinAmericana de Entidades de Garantia, "Boletin de Prensa," Colombia: ALEG, 1995, (Spanish).

The objectives and framework for the Latin American Association of Guarantee Institutions (ALEG) are described in this paper. The objectives of ALEG includes creation of guarantee mechanisms to increase loans to SMEs. The association will be able to provide information about all the Latin American guarantee systems in operation to service SMEs, and will lobby for mobilizing a common guarantee fund for Latin America. [7400]

Key: Latin America, SMEs, Guarantee Funds.

3. Acociation Europea de Caucion Mutua, "European Mutual Guarantee Corporation," Madrid: Acociation Europea de Caucion Mutua, 1995, 14 p.

This brochure describes the objectives, components, organizational structure and participants of the European Mutual Guarantee Association that represents national societies in European Union and operates within the mutual guarantee framework to promote small and medium enterprises. [7418]

Key: European Union, Mutual Guarantee Association, Small and medium enterprises.

4. Acociation Europea de Caucion Mutua, "Análisis Comparativo de las Sociedades de Caucion Mutua en Europa," Madrid: Acociation Europea de Caucion Mutua, June 1994, 18 p, (Spanish).

The origin, evolution, characteristics and organizational structure of mutual credit guarantee associations and how they relate to existing institutional and political structures are discussed in this report. The performance of mutual credit guarantee associations in Belgium, France, Germany, Italy, Spain are discussed in detail. Programs proposed for Portugal, Ireland, Greece and Hungary are also described. [7369]

Key: Mutual credit guarantee associations, Belgium, France, Germany, Italy, Spain, Portugal, Ireland, Greece, Hungary.

5. Agricultural Credit Policy Council, The Cooperative Guarantee and Loan Fund, Manila: ACPC, Proposed Program for Lending to the Poor through Cooperatives, Nov. 1987, 4p.

Presents a proposal to create the “Cooperative Guarantee” aimed at encouraging the lending by banks to cooperatives through a combined loan and guarantee scheme. The scheme will be based on an equal sharing of project financing requirements among the cooperative, the bank and the government.

Key: The Philippines, Cooperative guarantee.

6. Ajayi, G.A., O.L. Oludimu and S.A. Oni, “A Financial Appraisal of the Nigerian Agricultural Credit Guarantee Scheme Fund,” International Journal of Development Banking, Vol. 4, No. 2, July 1986, pp. 13-20.

A financial appraisal of the Nigerian Agricultural Credit Guarantee Scheme and its ability to reach small farmers is presented in this paper. An evaluation of the program during the period of 1977-80 shows that the program has not benefitted small farmers. Channelling guaranteed loans through cooperatives, expanding the target sector to fisheries and increasing loan interest rates are recommended. [4999]

Key: Nigeria, Agriculture, Cooperatives, Government guarantee.

7. Aku, P.S., “Problems in Financing Agriculture through Agricultural Credit Guarantee Scheme Fund (ACGSF) in Kaduna State, Nigeria,” Agricultural Administration, Vol. 12, 1983, pp. 21-26.

The paper examines the performance of the agricultural credit guarantee scheme implemented by the government of Nigeria to increase lending to small farmers. The results of the study, based on a survey of 42 farmers who participated in the scheme in 1980,

indicate that the scheme has not increased loans to the target sector but has benefitted larger rather than small farmers.

Key: Nigeria, Agriculture, Government Guarantee.

8. Aku, P.S, "Lending to Farmers through the Commercial Banks in a Developing Economy: The Nigerian Experience," Agricultural Systems, Vol. 22, 1986, pp. 23-32.

An evaluation of the Nigerian experience in commercial bank lending to the agricultural sector using an agricultural credit guarantee scheme is examined in this paper. The guaranteed loans were concentrated in the large farmer portfolio and were not uniformly distributed among the different states. The author suggests the introduction of cooperative societies to increase lending to small farmers. [7371]

Key: Government Guarantees, Agriculture, Nigeria.

9. Apatini, Klara, "Forderung von klein-und mittelstandischen Unternehmen mit Krefditgarantie in Ungarn," Hamburg: Europaischer Kongress der Burgschaftbanken held in October 4-6, 1993, 2 p, (German).

The loan guarantee program in Hungary is described in this paper. It guarantees up to a maximum of 80 percent of loan principal losses incurred by commercial banks.

Key: Credit guarantee, Hungary.

10. Balkenhol, Bernd, "Guaranteeing Bank Loans to Smaller Entrepreneurs in West Africa," International Labor Review, Vol. 129, No. 2, 1990, pp. 245-253.

The paper examines the reasons for the failure of several traditional guarantee programs implemented in francophone West African countries including Cote d'Ivoire, Mali, Senegal and Burkina Faso. Inadequate commercial bank participation, high dependence on government funding, and excessive bureaucracy that caused delays in assessing and settling claims led to the failure of the programs. Mutual guarantee associations that counter guarantee loans made to their members are suggested for this region. However, the failure of credit guarantee associations in Senegal suggests that bank regulations that currently restrict banks from working with mutual credit associations need to be changed for effective functioning of such guarantees. [4280]

Key: Credit Guarantee Schemes, Senegal, Mali, Burkina Faso, Cote d'Ivoire, Mutual Credit Guarantee Associations.

11. Bautista, Ernesto D., "Financing Agriculture: The Relevance of Credit Risk Guarantee Schemes," Manila: Agricultural Credit Policy Council, Department of Agriculture, Staff Paper 89-05, November 1989, 11 p.

The author examines the role of credit guarantees in a framework that highlights the nature and operation of agriculture and of rural credit markets. The conceptual model treats credit guarantee analogous to collateral and shows additionality in quantity of loans supplied due to guarantees. It also shows that guarantee mechanisms impose less distortionary effects on the financial markets compared to direct interventions. The accumulated evidence from the Philippine Guarantee programs, however, suggests an inability of the programs to induce increased bank lending to the targeted sector. [0296]

Key: The Philippines, Government guarantee, Collateral, Additionality, Agriculture.

12. Bautista, Ernesto D., "Operation of Agricultural Risk Guarantee Schemes: The Philippine Experience, Manila: " Agricultural Credit Policy Council, 1991, 66 p.

This paper examines the Philippine experience with government agricultural credit guarantee schemes. Concludes that while costs are lower than for targeted credit, the benefits realized are limited. Furthermore, the beneficiaries were typically well-capitalized borrowers who would likely have had access to credit even without guarantees. Argues that guarantee programs should operate on a cost covering basis, and that interest rate subsidies should be phased out. Suggests a move to deficiency guarantee, covering only actual losses rather than the full loan amount. [5422]

Key: Government guarantees, the Philippines, Cost coverage, Subsidies, Agriculture.

13. Berger, Marguerite and Mayra Buvinic, eds., "The Credit Guarantee Mechanisms for Improving Women's Access to Bank Loans," in Women's Ventures: Assistance to the Informal Sector in Latin America, Connecticut: Kumarian Press Inc, 1989, pp. 174- 184.

The authors describe the guarantee mechanism designed by the Women's World Banking to improve womens' access to bank loans. A review of performance of Women's World Banking affiliates in Dominican Republic and Haiti shows that the program has increased access to bank loans for SMEs operated by women. The paper also provides guidelines for establishing and operating as a Women's World Banking affiliate. [7394]

Key: Women's World Banking Guarantee program, Dominican Republic, Haiti, Small and microenterprises.

14. Bonsu, Ohene Kwaku, "Enterprise Credit in West Africa: Transforming Credit Finance Schemes in Donor Funded Projects into Quasi-Formal Institutions for MSE Financial Intermediation: The Case of CERIDEP in Ghana," Ghana: University of Ghana, Legon, April 1995, 29 p.

This paper assesses the ability of donor funded credit finance schemes in Ghana to provide an alternative sustainable source of financing to small and microenterprises. The operation of the Central Region Integrated Development Programme (CERIDEP) funded by UNDP to provide loans for working capital, hire purchases, and loan guarantees for long-term loans is discussed in detail. CERIDEP guarantees 60 percent of the losses on loans made to small and microenterprises for long-term investments. The unit cost of operation has been high due to the limited number of enterprises covered by the program and the high cost is expected to erode the capital base and lead to unsustainability. It is recommended that CERIDEP operate on sound financial discipline to recapitalize its funds for a sustainable operation. [7405]

Key: Ghana, UNDP Guarantee, Transaction costs, Sustainability.

15. Boocock, Grahame and Mohammed Noor Mohammed Sharif, "Loan Guarantee Schemes for SMEs - the Experience of Malaysia," Small Enterprise Development, Vol. 7, No. 2, June 1996, pp. 25-35.

The Malaysian Credit Guarantee Corporation is evaluated based on interviews with the guaranteed SMEs and their bankers. The effectiveness of the guarantee scheme in improving relationships with banks and SMEs, and in increasing financial and economic additionality have been limited. The paper concludes with some implications of the scheme's experience for other developing countries. [7344]

Key: Additionality, Malaysia, Guarantee coverage, SMEs.

16. Bosworth, Barry P., Andrew S. Carron and Elizabeth H. Rhyne, The Economics of Federal Credit Programs, Washington, D.C., : The Brookings Institution, 1987, 178 p.

Several government assisted credit programs including the loan guarantee program in the United States of America are evaluated based on the subsidy cost of the programs. Loan insurance and credit guarantee programs implemented by the Small Business Administration are evaluated in detail. The federal credit programs are found to have minimal impact on the allocation of resources in agriculture and small business sectors where the subsidy has been very large.

Key: USA, Small Business Administration, Subsidy costs, Government guarantee, Impact.

17. Castellanos, Jorge, "Design and Supervision of Loan Guarantee Organizations," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996, 23 p.

The implications of granting formal financial institution status to loan guarantors of SME lending is analyzed in this paper. The issues of supervision are discussed. A basic guarantee program under a supervisory regime that insists on capital adequacy, loan loss provisioning, debtor reporting system, unified ledger and reserve management policy is recommended. [7350]

Key: Supervision, Capital adequacy, Loan loss provision, Debtor reporting, Reserve management.

18. Central Bank of Nigeria, National Agricultural Credit Study of Nigeria, Report of the Study Team, vol. 1, 1986, 245p. and vol. 2, 1986, 864 p.

These reports contain a detailed analysis of the activities and problems of various agencies which are engaged in the supply of agricultural credit in Nigeria. These agencies include the banking system, non-bank government-sponsored agencies, agricultural loan guarantee funds, the cooperative credit system, and the non-institutional credit agencies such as pre-cooperatives and moneylenders. Also examines the status of technical support services available for agricultural credit and analyzes the demand side for credit on the basis of a countrywide farm-level survey carried out as part of the study.

Key: Nigeria, Agricultural Loan Guarantee Scheme, Government guarantee, Agriculture.

19. Central Bank of Swaziland, "Highlights of Development Finance Division Schemes: Export Finance Credit Guarantee Scheme and Small Scale Loan Guarantee Scheme," Mbabane: Central Bank of Swaziland, August 1994, 5 p.

The volume of guarantees outstanding and premium incomes, total income and expenses, defaults and claims paid by the export finance credit guarantee scheme and small scale loan guarantee scheme started by the government of Swaziland in 1990 are reported in this document.

Key: Swaziland, Export finance credit guarantee scheme, Small scale loan guarantee scheme, Government guarantee.

20. Chan, Florida C., "The Barrio Savings Fund and The Barrio Guarantee Fund: A Status Report," Manila: Agricultural Credit Policy Council, Staff paper 90-01, February 1990, 9 p.

This report reviews the status of the barrio guarantee fund created as a forced savings mechanism for farmers associations in the Philippines. The barrio guarantee fund guarantees the payment of land amortization of the members of the association. Although the fund is large and owned by the farmers' association, it has been difficult to withdraw the funds due to rigid procedures. It is suggested that guidelines for fund withdrawal be reviewed and that the fund be gradually converted into a regular guarantee fund to improve commercial bank lending to agrarian reform beneficiaries. [0297]

Key: Barrio guarantee funds, Farmers association, The Philippines, Agriculture.

21. Chaney, Paul K. and Anjan V. Thakor, "Incentive Effects of Benevolent Intervention: The Case of Government Loan Guarantees," Journal of Public Economics, Vol. 26, 1985, pp. 169-189.

This paper analyzes the potential incentive effects of government loan guarantees on the borrower's debt-equity ratio and types of projects chosen in anticipation of a guarantee. Using a two period model, the paper shows that when firms know that government loan guarantees are available, they engage in riskier activities and take on more leverage. This firm behavior will increase the loan guarantee related contingent liabilities of the government. It is recommended that the government abandon the program or encourage a federal agency to sell loan guarantees to all firms at prices commensurate with the riskiness of the firm's assets and leverage.

Key: Government guarantee, Incentive effect.

22. Cheryl, DeVuyst, S. and David A. Lins, "Empirical Analysis of a State Guarantee Program for Restructuring Agricultural Debt," Urbana: Department of Agricultural Economics, University of Illinois, January 1995, 12 p.

The State Guarantee program for restructuring agricultural loans through the Illinois Farm Development Authority is examined. The analysis was based on 423 loans guaranteed during 1986-87. While other economic changes were expected to affect the financial positions of the borrowers, it was found that some borrowers were able to benefit from the guarantee

program. The study, however, could not provide any solid recommendation as to whether or not to continue or terminate the program. [7404]

Key: USA, Government guarantee, Agriculture.

23. Croatian Guarantee Agency, "General Information about the Croatian Guarantee Agency," Zagreb: Croatian Guarantee Agency, 1995, 14 p.

The organizational structure and design of the proposed Croatian Guarantee Agency to guarantee loans made to small and medium scale enterprises is described in this document. The agency intends to provide guarantees and financial subsidies to banks and savings banks to reduce costs of loans issued to small and medium scale enterprises. [7374]

Key: Government guarantee, Croatia, Small and medium enterprises.

24. Epstein, Jose and Fred Graham, "The Role of Collateral in Small Business Lending," Washington, D.C.: USAID, Investment Development and Packaging Project Number 940-2002, June 1991, 57 p.

The authors show that credit guarantee schemes have not been successful in eliminating the collateral requirements for small borrowers. However, on average, the collateral to loan ratios are lower for loans made with guarantees compared to ones made without guarantees. The success of guarantee programs like FUNDES, SBDC in South Africa are attributed to their moderate risk sharing, low transaction costs and credibility of the guarantor. A full examination of the borrowers obtaining loans under the guarantee program compared to those who would have received them without the program is recommended. [7490]

Key: Collateral, FUNDES guarantee, Latin America, South Africa, Transaction costs, Small businesses.

25. European Bank for Reconstruction and Development, "Model Law on Secured Transactions," London: EBRD, 1994, 64 p.

A legal system for secured transactions in market economies in transition in Europe is detailed in this report. The rights to property, securing business credits, secured debt, and rights to enforce contracts using securities are discussed in detail and practical guidelines are issued. The model laws are recommended to be used as models to perfect secured transactions including credit guarantees in Europe. [7382]

Key: Legal framework, Secured transaction, Market economies in transition, Europe, Enforcing contracts.

26. European Commission PHARE Programme, "The Newly Founded Guarantee Institutions for SMEs in Central and Eastern Europe," Vienna: European Commission PHARE Programme, BURGESS Forderungsbank, March 1994, 45 p.

A survey of newly implemented guarantee programs to promote small and medium enterprises in Slovak Republic, Romania, Slovenia, Czech Republic and Hungary is provided in this report. The survey includes details such as description of the organization, design of the guarantee institution, guarantee coverage and fee, number and amount of guarantees issued, and number and amount of claims made. [7386]

Key: Slovak Republic, Romania, Slovenia, Czech Republic, Hungary, Guarantee Schemes, Small and medium enterprises.

27. FAO/ALIDE, "El Papel de las Garantías en los Prestamos Agrarios: Fondo Agropecuario de Garantías, Colombia," Rome: FAO, February, 1995, 38 p, (Spanish).

The objectives, operational procedures and evaluation of the guarantee program established by the government of Colombia to increase bank loans to the agricultural sector are described in this paper. [7489]

Key: Government guarantee, Colombia, Agriculture.

28. FAO/ALIDE, "El Papel de las Garantías en los Prestamos Agrarios: Fondos de Garantía, Mexico," Rome: FAO, February, 1995, 82 p, (Spanish).

The guarantee fund established in Mexico to increase access to bank loans for the agricultural sector is described in this paper. The objectives, operational methods of the guarantee fund and results of an evaluation of the program are provided. A detailed appendix elaborates on the legal procedures involved in operating the program. [7487]

Key: Government guarantee, Mexico, Agriculture.

29. FAO/ALIDE, "El Papel de las Garantías en los Prestamos Agrarios: Fondo de Garantía para Pequeños Empresarios, El Salvador," Rome: FAO, February, 1995, 38 p, (Spanish).

This paper describes the principal characteristics and operational methods of the guarantee fund established in El Salvador to increase access by microentrepreneurs to bank loans. A brief evaluation of the program is also presented. [7488]

Key: Government guarantee, El Salvador, Microenterprises, Evaluation.

30. Feder, Gershon, Tongroj Onchan & Tejaswi Raparla, Collateral, Guaranties and Rural Credit in Developing Countries, Washington D.C.: The World Bank, June 1987, 28 p.

This paper presents evidence from several less developed countries on the use of individual and group guarantees as collateral in rural financial markets. [0018]

Key: Collateral, Individual guarantee, Group guarantee, Less developed countries.

31. FUNDES, "Concepto de un Sistema de Garantia para la Micro y Pequena Empresa en Costa Rica," Switzerland: FUNDES, Internal Document, February 1995, (Spanish).

This is a proposal to create a national guarantee fund as a second tier institution in Costa Rica under the supervision of the central bank. The national guarantee fund will guarantee several private guarantee funds that will guarantee bank loans made to SMEs. The proposal presents several operational guidelines for the guarantee fund. [7398]

Key: Guarantee fund, Costa Rica, SMEs.

32. Garcia, Por Beatriz Marulanda de, "Fondo Nacional de Garantias de Colombia," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996, 32 p, (Spanish).

The evolution and current status of the public guarantee program in Colombia, Fondo Nacional de Garantias, is described in this paper. The program has undergone several changes since its inception in 1982. Currently, the program follows a global approach, shares risks with the banks and charges according to guarantee coverage. The author concludes that the impact of the program has been minimal and banks are not very enthusiastic in participating in the program. [7484]

Key: Credit Guarantee, Colombia, Global approach, Fees, Guarantee coverage.

33. Geis, Heinz-Gunter, "Kreditgarantiefonds in der Entwicklungszusammenarbeit," Berlin: Institut für Bank- und Finanzwirtschaft, Freie Universität, Working paper No. 15, February 1993, 92 p, (German).

Definition, functions and types of credit guarantee schemes, and relevant institutional arrangements and financial technologies necessary for implementing credit guarantee programs are discussed in this monograph. Experiences of the guarantee companies in Germany and their replication in developing countries are also provided. The appendix includes several published papers on credit guarantee schemes in developing countries. [7384]

Key: Germany, German guarantee schemes.

34. Ghatpande, S.M., "The Role of the (Nigerian) Agricultural Credit Guarantee Scheme Fund in Agricultural Finance," Indian Journal of Agricultural Economics, Vol. 39, No. 2, 1984, pp. 259-268.

The Agricultural Credit Guarantee Scheme Fund, established in Nigeria in 1977 with the intention of encouraging banks to undertake the risk of financing agriculture by assuring them of repayment in the event of a default on the part of the farmer is assessed. The paper first discusses the main provisions of the ACG Scheme Fund Decree and then makes a critical appraisal of the scheme. It concludes that the role of the ACG Scheme Fund in agricultural finance is not likely to be a dominant one, at least for some time. [5388]

Key: Nigeria, Agriculture, Government guarantee.

35. Graham Bannock and Partners Ltd., "Securitization of Guaranteed SME loans in Europe and Finance for Innovation," London: Graham Bannock and Partners Ltd, Study prepared for the European Innovation Monitoring System, January 1995, 116 p.

The paper investigates the scope for using securitization to promote bank lending to SMEs based on experiences from the United States and the European Union. The guarantee mechanisms found in Europe are also discussed. The quality of guarantee coverage and the homogeneity of loan transactions are recommended as necessary conditions to obtain investment grade credit rating in the securities market. [7356]

Key: Securitization, United States, Europe, Guarantee coverage, Homogeneity, SMEs.

36. Graham, Douglas H., Richard L. Meyer and Carlos E. Cuevas, eds., "Financial Markets in The Gambia, 1981-1991," Columbus: Department of Agricultural Economics and Rural

Sociology, The Ohio State University, Report submitted to the USAID/The Gambia, January 1993, pp 54-55.

The automatic government guarantee of up to 80 percent of the losses on loans made to small and microenterprises by Indigenous Business Advisory Service (IBAS) and the Gambia Commercial and Development Bank (GCDB) in The Gambia is outlined. It was found that the claims made to collect indemnities for defaulted loans were never honored. Currently, the Gambian government has discontinued issuing guarantees and has signed commitments with donors not to sponsor any guarantee programs. [5932]

Key: The Gambia, Small and microenterprises, Government guarantee.

37. Gudger, Michael, "The Development of a Self-Sustaining Credit Guarantee Facility for Rural Sector Finance," Kampala: Bank of Uganda, Consulting Report, May 1995, 38 p.

The legislation and operation of the existing government credit guarantee scheme in Uganda is reviewed to design a viable guarantee fund for the cotton subsector. The legislation was assessed to be restrictive to facilitate the operation of the guarantee scheme and the cotton subsector was too small to support a viable guarantee operation. A credit guarantee company that serves the entire Ugandan economy to generate premiums to cover for administration costs and losses and reach economies of scale is recommended. [7370]

Key: Uganda, Agriculture, Credit Guarantee Company, Government guarantee, Fund viability.

38. Gudger, Michael, "Case Studies in Crop Insurance and Credit Guarantee Funds," Washington, D.C.: Consultancy Report Prepared for the World Bank, 1991. 98 p.

Case studies from Mexico, The Philippines, USA and Nigeria covering their crop insurance and credit guarantee programs are presented in this report. While the share of loans that are guaranteed compared to total loans made to the agricultural sector is large in Mexico, it is insignificant in Nigeria. The Mexican program is highly subsidized by the government. The paper concludes that neither empirical nor theoretical justification exists for guaranteed programs to have a positive effect on the volume of loans made to the agricultural sector without substantial subsidization.

Key: Crop insurance, Government guarantee, Mexico, The Philippines, USA, Nigeria, Subsidization, Agriculture.

39. Gudger, Michael, "Sustainability of Credit Guarantee Systems," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996.

The issue of sustainability of guarantee programs is discussed by examining the costs of making and guaranteeing small loans, and the ways in which these costs are affected by different levels of guarantee coverage. A program is considered sustainable only when it does not require subsidies from government or donors. A case study of the Caja Social in Columbia is provided. The paper concludes that programs that provide wholesale guarantees in favor of the lenders of the lender may be sustainable if such guarantees enable the lender to finance itself from the funds and avoid mobilizing high cost deposits from the public. [7349]

Key: Sustainability, Columbia, Subsidy, Wholesale guarantee, Costs of guarantees.

40. Guzman, Maria Margarita and Maria Clemencia Castro, "From a Women's Guarantee Fund to a Bank for Microenterprise: Process and Results," Women's Ventures: Assistance to the Informal Sector in Latin America, Berger, Marguerite and Mayra Buvinic, eds., Connecticut: Kumarian Press Inc, 1989, pp. 185-200.

The transformation of the Banco Mundial de la Mujer in Cali, Colombia from a guarantee facility to a bank for microentrepreneurs is described in this paper. While male borrowers increased sales and employment, women borrowers increased their net income and standard of living. Combining guarantee and banking services was found to be efficient. Diversification of credit lines for the borrowers along a fixed asset line, home improvement line and a general line of credit was recommended. [4034]

Key: Guarantee facility, Colombia, Microentrepreneurs.

41. Hatakeyama, Michiko S., "Asian Credit Guarantee Systems for Small and Medium Enterprises," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996, 28 p.

The details of credit guarantee program designs in Japan, Korea, Indonesia and Malaysia are provided in this paper. The number of guarantees, costs of providing guarantees, and default rates are discussed for the four countries. A brief comparison of the schemes shows that while the Japanese and Korean schemes involve lower costs and generate low but secured profits to the guarantor, the programs in Indonesia and Malaysia are high cost and are provided to high risk SMEs that generate low profits. [7347]

Key: Malaysia, Korea, Japan, Indonesia, Guarantee design, Costs of guarantees, SMEs.

42. Herr, William, "Toward an Analysis of the Farmers Home Administration's Direct and Guaranteed Farm Loan Programs," Washington, D.C.: United States Department of Agriculture, AGES 9116, April 1991, 33 p.

This paper examines how the shift from direct lending to guaranteed lending by the Farm Home Administration has affected the farm sector and farm credit markets. Guaranteed lending is shown to facilitate additional lending under the conditions of program efficiency. It was found that guaranteed program is cost effective compared to direct lending but a complete shift to guaranteed lending would exclude low-income, low-risk borrowers. The author recommends developing a secondary market to enable lenders to increase their returns and decreasing guarantee level as risk increases to reduce bias towards low risk borrowers. [7375]

Key: Agriculture, Government guarantee, Additionality, Secondary market, USA.

43. Holden, Paul, "A Description and Analysis of the FUNDES Guarantee Scheme for Lending to Small and Medium Sized Enterprises," Switzerland: FUNDES, 1995, 10 p.

The operational methodology using a selective guarantee of individual loans and performance of the FUNDES guarantee scheme for increasing bank lending to small and medium sized enterprises in Latin America is discussed in this paper. The guarantee schemes are found to have made minimal impact in expanding bank lending to the target sector. The author suggests a shift to a global approach of guaranteeing a portfolio to reduce transaction costs and increase the number of clients. Features of the proposed global guarantee approach are outlined. [7378]

Key: FUNDES guarantee, Small and medium enterprises, Latin America, Selective approach, Global approach, Transaction costs.

44. Holden, Paul, "Collateral Without Consequence: The Causes and Effects of Financial Development in Latin America," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996, 23 p.

The consequences of lack of access to financial markets by SMEs and the issues of secured transactions that can improve SME access to bank finance are discussed. SME access to bank finance is low in Latin America compared to Singapore, Thailand, Germany and the United States. The low access to bank finance is reported to slow the growth of SMEs in Latin

America. It is concluded that credit guarantee programs are not a substitute for financial market reforms but have the potential to speed up the reform process. [7353]

Key: Latin America, Singapore, USA, Germany, Thailand, SMEs, Loan access, SME growth, Secured transactions, Financial reform, Guarantee programs.

45. Hunter, William, "Moral Hazard, Adverse Selection, and SBA Business Loan Guarantees," Congressional Budget Office, The Congress of the United States: Proceedings of the Conference on the Economics of Federal Credit Activity: Part II, 1982, pp. 235-280.

The implications of moral hazard and adverse selection for the efficient functioning of the Small Business Authority (SBA) of the U.S guaranteed lending are examined in this paper. The theoretical model shows that as guarantee level increases, the incentives for exercising care above the simple protection level by the banks decreases. Empirical results based on 400 SBA loans confirmed the theoretical predictions that higher guarantee coverage reduces bank care and results in higher defaults. The results indicate the existence of moral hazard. A lower guarantee coverage and a guarantee fee that is directly related to bank behavior that affects the probability of default is suggested. [7412]

Key: USA, Small business, Moral hazard, Adverse selection, Government guarantee, Guarantee coverage and fees.

46. Inter-American Development Bank, "Notes Regarding the Guarantee Project in Colombia," Washington, D.C.,: Inter-American Development Bank, Internal Document, 1995, 44 p.

This is a summary of a program initiated by the Inter-American Development bank to strengthen the guarantee system for small and microenterprises in Colombia. The recommendations include the continuation of the legal and regulatory framework of the guarantee scheme.

Key: Colombia, SMEs, IDB, Legal framework, Regulatory framework.

47. Interdisziplinäre Projekt Consult GmbH, "Trinidad and Tobago: Global Credit Program for Microenterprises," Frankfurt: Interdisziplinäre Projekt Consult GmbH, 1992, 68 p.

The Small Business Development Company set up by the Ministry of Finance in Trinidad and Tobago to offer loan guarantees and technical assistance to microenterprises is examined in this paper. It was found that the default rates are high and the guarantee facility is unviable since costs and claims exceed revenues. The inefficient incentive structures made the guarantee facility vulnerable to exploitation by both the clients whose loans it guarantees and banks who use its services. The demand for guaranteed loans is low and the marginal impact

of the guarantee is minimal. It is suggested that loan guarantee programs cannot be economically justified in Trinidad and Tobago. [7397]

Key: Government guarantee, Microenterprises, Trinidad and Tobago, Impact, Incentive structure.

48. IPC, "Peru: Analisis de los Fondos de Garantia de Creditos y Perspectivas del Uso de Dicho Esquema par Promovar la Incorporacion de la Pequena Empresa como Sujeto de Credito del Sistema Financiero," Florida: Interdisciplinary Project Consulting Inc., Internal Document, 1995. (Spanish)

This paper examines the feasibility of a guarantee fund to increase bank lending to SMEs in Peru. Based on empirical evidence, it concludes that guarantee schemes increase costs of borrowing and have limited influence in increasing bank lending to the target sector. It recommends that the banks should invest in learning lending skills in servicing SMEs rather than depend on guarantee schemes. [7399]

Key: Peru, Guarantee funds, SMEs, Lending technology, Costs of borrowing.

49. Kalbus, Jeffrey H. Warren F. Lee and Gary D. Schnitkey, "Credit Subsidies and Transaction Costs of Two Government Credit Programs in Ohio," Columbus: Department of Agricultural Economics and Rural Sociology, The Ohio State University, January 1995, 26 p.

The study examines credit subsidies and lenders' transaction costs for Ohio's Linked Deposit Program and Farmer's Home Administration's Guaranteed Loan Program. It is found that the largest of credit subsidies for the guarantee program originates from its default risk costs and that lenders incur high transaction costs although they receive up to 90 percent protection against loan losses. Administrative fees collected for issuing loan guarantees only partially offset the guarantor's operating costs. Simple procedures for using guarantees and technical assistance to lenders are recommended. [7383]

Key: Government credit programs, Government guarantee, Credit subsidies, Transaction costs, Default risk costs, USA, Agriculture.

50. Kaufman, Herbert M., "Loan Guarantees and Crowding Out," Congressional Budget Office, The Congress of the United States: Proceedings of the Conference on the Economics of Federal Credit Activity: Part II, 1982, pp. 67-110.

The paper, based on simple supply of and demand for securities, develops a framework for analyzing the impact of federal guarantees on financial markets and the allocation of

resources in the economy. Guarantees are shown to crowd out nonguaranteed projects that would be financed if guarantees were not available, and to put upward pressure on interest rates and receive preference in financing because of their status as a guaranteed security. The level of private financing is shown to be larger in the absence of guarantees. [7410]

Key: Impact, Crowding out, Government guarantee.

51. Kim, Yoon Ok, "Korea's Small Business Finance Guarantee System: An Overview," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996, 11 p.

An overview of the Small Business Finance Guarantee system operated by the government of Korea to enable access of SMEs to bank finance is provided in this paper. A brief summary of volume and number of guarantees issued, costs, revenues and indemnities over the period of three decades is also reported. [7346]

Key: Korea, SMEs, Guarantees, Costs, Revenues, Indemnities.

52. Kommission der Europäischen Gemeinschaften, "Die Bedeutung Der Kreditgarantiegemeinschaften Fur Die Finanzierung Kleiner und mittlerer Unternehmen in der Europäischen Gemeinschaft" Brussel: Kommission der Europäischen Gemeinschaften, September 1991, 26 p, (German).

This report summarizes the problems facing credit guarantee companies of the European community in servicing small and middle sized enterprises. Organization structure, the role of credit guarantee companies in the community and their relationship with banks are discussed. Creation of a European United Credit Guarantee Company and dissemination of information through conferences and seminars across the European Union are recommended. [7363]

Key: Credit guarantee companies, European Union, Small and medium enterprises.

53. Kongsiri, Aswin, "Nepal: A Report on the Credit Guarantee System," Washington, D.C.,: The World Bank, May 1986, 41 p.

The Credit Guarantee Corporation (CGC) established by the government in 1974 and restructured in 1981 to automatically guarantee up to 75 percent of all priority sector lending by the two commercial banks in Nepal is examined in this paper. Although the capital fund has increased over the years, it has been found to be ineffective in inducing bank lending to

the priority sector. The paper suggests that CGC is the most appropriate institution to provide guarantees but it recommends restructuring of its organization for cost effectiveness. It is recommended that the premium rate be increased to 2 percent per annum from the current 1 percent, that a comprehensive review of its operations, and that training of the staff to improve loan screening and supervision skills be conducted. A self-insurance scheme within commercial banks through a reserve fund created using the premiums paid to the CGC to cover loan losses is also recommended. [7406]

Key: Priority sector, Nepal, Government guarantee, Self-insurance scheme.

54. Krahnen, Jan Pieter and Reinhard H. Schmidt, Development Finance as Institution Building: A New Approach to Poverty-Oriented Banking, Boulder, Colorado: Westview Press, 1994, 154 p.

A credit guarantee program is considered as an insurance company that covers the risks of the banks whose customers default on their obligations. It is argued that guarantee programs can help small enterprises only when banks like to work with the targeted clients but lack experience and information, and when the local banking system is ineffective. Otherwise, the authors suggest that guarantee programs are very expensive and are ineffective mechanisms to service small and microenterprises.

Key: Insurance, Small and microenterprises.

55. Lack, Steve., "PED Credit Guarantee Facilities: Start-up, Operations, Interface," Washington, D.C.: Bureau of Private Enterprise, Financial Market Project, USAID, July 1988, 58 p.

Guidelines for implementation of a local currency credit guarantee fund in Guatemala is presented in this report. Project design and suggestions for promoting banks' interest in utilization of the guarantee facility to make loans to private enterprises are discussed. Recommendations include collection of data on transaction costs and benefits at lender and borrower levels, and on credit demand. [7392]

Key: Guatemala, USAID Guarantee, Local currency, Private enterprises.

56. Lack, Steve, "Development of Administrative and Control Procedures for a Local Currency Loan Guarantee Mechanism for Small and Medium Enterprises," Washington, D.C.: Prepared by Arthur Young Consultancy for the Bureau for Private Enterprises, USAID, February, 1988, 163 p.

This report outlines the administrative and control procedures for setting up a local currency credit guarantee fund in Guatemala. Elements relating to maintaining an efficient minimum staff administrative structure, costs of operation, guidelines for guarantee claim mechanisms, keeping the guarantee program within the private sector and legal and financial regulatory frameworks are discussed in detail. [7364]

Key: Small and medium enterprises, Guatemala, Local currency, USAID guarantee, Guarantee claim, Private sector, Regulatory framework.

57. Levitsky, Jacob, "Credit Guarantees for Small Business Borrowers," What's New: An Independent Voice for NGO News and Views, Washington, D.C., 1995, pp. 5-6.

The paper, based on reviews of several guarantee programs in operation in the Philippines, Korea, Thailand, Colombia, Peru, Bolivia and Costa Rica, suggests that credit guarantee programs are set up to reimburse lenders for loan losses incurred in servicing risky clients. Although the aim of the guarantee programs is to encourage commercial bank lending to small businesses with viable projects, they are unable to reach it. Guarantee schemes can be an option to increase financing to small businesses but careful design and planning are recommended in their implementation. Mutual guarantee schemes in operation in several European countries and use of solidarity groups in Latin America are suggested as alternatives to credit guarantees. [7407]

Key: Small business, Latin America, Solidarity groups, Mutual guarantee schemes, Europe, Philippines, Korea, Thailand, Colombia, Peru, Bolivia, Costa Rica.

58. Levitsky, Jacob, "Best Practices in Credit Guarantee Schemes," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996.

The best practices in establishing a credit guarantee program are discussed based on evidence from several developing countries. Guarantor relationship with banks and SMEs, guarantee costs, guarantee coverage, premiums to be charged, leverage ratio, risk sharing methods and management aspects are discussed. The guarantee schemes found in Egypt and Sri Lanka are also illustrated. The paper concludes that guarantee funds are not a panacea to solve financial market inefficiencies, and the effectiveness of guarantee schemes is yet to be proven. [7345]

Key: Best practice, SMEs, Guarantee coverage, Premiums, Costs, Leverage, Sri Lanka, Egypt.

59. Levitsky, Jacob and Ranga N. Prasad, "Credit Guarantee Schemes for Small and Medium Enterprises," Washington, D.C.: The World Bank, Technical Paper No. 58, 1987, 91p.

The paper provides information on a variety of credit guarantee schemes in developed and developing countries. Some of the schemes have been in operation for 40 to 50 years while some have been recently introduced. The essential elements, scope, variety and the problems faced in the operation of guarantee schemes are discussed. A comprehensive review of the issues involved in the design and implementation of credit guarantee schemes, based on experiences accumulated in North America, Europe, Asia and the Pacific, and Africa is included. The paper concludes that it has been difficult to show additionality in lending since the proportion of bank loans under guarantees in all countries has been small. Active participation by commercial banks, viable projects, realistic fees and guarantee coverage are suggested for implementing successful guarantee schemes. [0328]

Key: United States, Canada, France, Germany, Italy, Netherlands, Portugal, United Kingdom, Japan, New Zealand, India, Indonesia, Korea, Malaysia, Nepal, Philippines, Sri Lanka, Thailand, Cameroon, Ghana, Liberia, Morocco, Tunisia, Barbados, Colombia, Haiti, Jamaica, Small and medium enterprises, Additionality.

60. Levitsky, Jacob, "Credit Guarantee Funds and Mutual Guarantee Schemes," Small Enterprise Development, Vol. 4, No. 2, June 1993, pp. 4-15.

This paper describes several successful guarantee schemes in Japan, France, Italy and other European countries to derive factors that helped their success. These programs are characterized by decentralized operation at the guarantor level, risk coverage ranging from 70-100 percent, reduced administrative costs to the lenders while still ensuring the willingness of the borrowers to repay loans. Mutual guarantee schemes in operation in Germany, France and Italy that involve a mutual credit association and a counter guarantor is recommended for developing countries. Replication of mutual credit guarantee programs in developing countries should be made with caution since experiments in Kenya and Senegal failed. The self-help promoted by these associations is nonetheless suggested to be more valuable in developing countries compared to reliance on government and donor support. [6039]

Key: France, Italy, Germany, Kenya, Senegal, The Philippines, Mutual Credit Associations, Credit Guarantee Schemes, Guarantee Coverage.

61. Leyba, Por Carlos, "Organizacion y Gestion de los Sistemas de Garatia," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996, 25 p, (Spanish).

The paper examines the organizational and management challenges of public and private credit guarantee schemes found in several countries including Latin America, Japan, United States and Canada. It suggests that the strong private guarantee systems like mutual guarantees and successful public credit guarantee systems are the result of strong credit markets. [7483]

Key: Credit Guarantee, Organization of Guarantee, Public Guarantees, Mutual Credit Guarantee, Latin America, Europe, Japan.

62. Llanto, Gilbert M. and Magdalena S. Casuga, "The Comprehensive Agricultural Loan Fund: Credit Guarantee as Collateral Substitute, A Case Study," Manila: Agricultural Credit Policy Council, Staff Working Paper No. 92-04, February 1992, 48 p.

Using a case study of a participating bank and its clients, this paper documents the problems in accepting the Comprehensive Agricultural Loan Fund guarantee as a collateral substitute. The guarantee program provides 85 percent guarantee coverage towards loan losses incurred in loans made for production of agricultural crops, livestock and aquaculture against all types of risks. It is found that the guarantees do not function strictly as a collateral substitute. The information network and marketing assistance along with the guarantees is considered as an acceptable collateral substitute. Institution building, careful monitoring and evaluation, and perfecting regulatory issues concerning loan collection and payment of guarantee claims are recommended. [5962]

Key: Comprehensive Agricultural Loan Fund, Government guarantee, Evaluation, Collateral substitute, Philippines, Agriculture, Aquaculture.

63. Llanto, Gilbert and Marife T. Magno, "An Evaluation of the Impact of the Comprehensive Agricultural Loan Fund Credit Guarantee," Manila: Philippine Institute for Development Studies, July 1994, 49 p.

This report assesses the Comprehensive Agricultural Loan Fund (CALF) that is constituted as a credit guarantee fund to reimburse banks up to 85 percent of the outstanding small farmer agricultural loans. While the program has benefitted several individuals, directly or indirectly, the transaction costs of the guaranteed borrowers have increased and access to formal credit still remains a problem for small farmers. The study concludes that CALF does not provide additional advantage to the cooperatives or individuals covered under the program, and that private banks are not enthusiastic to provide loans to small borrowers even with the guarantee. Collateral is still required with the guarantee. The study recommends that the guarantees should be extended only to private and not public banks, that the guarantees to traders and millers should be discontinued since they already have good access to formal loans, and that several of the fragmented guarantee programs be consolidated. [7403]

Key: Comprehensive Agricultural Loan Fund, Government guarantee, Evaluation, Collateral, Philippines, Agriculture, Aquaculture, Transaction costs.

64. London Business School, "International Workshop on Commercial Bank Lending for Small Enterprises and Operation of Credit Guarantee Schemes," London: London Business School, Summary of International Workshop held in July 15-17, 1986, 53 p.

A summary of discussions held in the conference and list of participants is provided in this report. The participants concluded that the volume of lending to small and medium enterprises need to be increased and some level of subsidization might be healthy to attract participation by commercial banks. A risk sharing arrangement such as credit guarantee schemes was suggested as an attractive incentive to persuade commercial banks to lend to small and microenterprises. [7365]

Key: Small and medium enterprises, Subsidy, Credit guarantee schemes.

65. Llorens, Juan Luis, "Loan Guarantee Systems for SMEs in Europe," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996.

Mutual guarantee schemes and public guarantee schemes through guarantee funds in Europe are examined in this paper. The design, performance, costs and legal framework of mutual guarantee schemes in Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom are discussed in detail. It is concluded that guarantee programs can only be recommended when banks ration credit due to insufficient collateral. The soundness of the scheme is found to depend on the perceived benefits and costs of the program to the borrower, banks and the guarantor. A second level guarantee for the mutual guarantee programs is recommended. [7348]

Key: Mutual guarantee scheme, Public guarantee scheme, Design, Performance, Costs, Legal framework, Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Switzerland, United Kingdom.

66. Magno, Marife T. and Richard L. Meyer, "Guarantee Schemes: An Alternative to the Supervised Credit Program," Manila: Philippine Institute of Development Studies, Paper presented at the meeting "Financial Intermediation in the Rural Sector: Research Results and Policy Issues" held in September 26-27, 1988, 64 p.

The conceptual model shows that additional loans will be made to risky borrowers with guarantees since it reduces marginal costs to lending. However, it argues that if the lenders' face liquidity constraints, guarantees will have no effect unless they reduce the marginal costs such that costs of servicing less risky borrowers is higher than costs of servicing risky ones with guarantees. The paper then examines four existing government guarantee programs in the Philippines: the guarantee fund for small and medium enterprises, the industrial guarantee and loan fund, the Quedan guarantee program, and the crop insurance program. The analysis shows that the programs have not significantly improved the amount of credit to agriculture, have not succeeded in encouraging banks to lend their own funds to agriculture and have not effectively reduced the cost of lending. Except for the crop insurance program, the other three programs seems to be designed for large borrowers. The paper suggests that increased borrower and lender participation can only be induced through reduction in costs. [0189]

Key: The Philippines, Government guarantee, Agriculture, Small and medium enterprises, Impact, Costs of lending, Liquidity.

67. Management Systems International, "Thai Danu Bank Ltd.: IFI Loan Case Study," Washington, D.C.: MSI, Report prepared for the Office of Program Review, Bureau of Private Enterprise, USAID, Pre-Project No. 940-0002.48, 1988, 141 p.

The objective of this report is to evaluate and disseminate lessons learnt about the guarantee facility established by USAID for the Thai Danu Bank in Thailand to supply loans to small rural farms. The quality of the loan portfolio under guarantees was good and there were no defaults. Loans under the guarantee facility resulted in significant increases in production and employment of the borrowers. The additionality due to the program was judged to be high. The use of guarantees rather than a direct loan to the bank was considered as an appropriate mechanism to increase bank lending to small farmers. [7377]

Key: Thailand, Agriculture, USAID guarantee, Impact.

68. Management Systems International, "Case Study of Impact on Sub-Borrower Enterprises in Two PRE Projects, Philippines," Washington, D.C.: MSI, Report prepared for the Office of Program Review, Bureau of Private Enterprise, USAID, Pre-Project No. 940-0002.59, February 1990, 32 p.

This case study evaluates the impact of guaranteed bank loans to small and medium entrepreneurs in the Philippines. Bank and borrower records, and borrower interviews were used for the evaluation. The banks expanded their loans to small and medium enterprises and default rates under the program were low. Average net income, employment, foreign exchange earnings of the borrowers were found to have increased. Given the difficulties in

measuring the impact from the demand side, it is recommended to focus less on conducting impact studies but more on lenders' response to financial market interventions. [7396]

Key: USAID Guarantee, Small and medium enterprises, Impact, The Philippines.

69. Management Systems International, "Far East Bank and Trust: IFI Loan Case Study," Washington, D.C.: MSI, Report prepared for the Office of Program Review, Bureau of Private Enterprise, USAID, Pre-Project No. 940-0002.49, March 1988, 101 p.

The USAID program had institutional impact on the participating bank since it was able to supply loans to small and medium businesses. There was a demonstration effect since non-participating banks in the guarantee program started showing interest in the targeted clientele. A review of borrower files showed that the program has contributed to export activity during the time of economic difficulty in the Philippines. Several borrowers graduated to access non-guaranteed loans in subsequent years. The program was rated as a success. [7395]

Key: USAID Guarantee, The Philippines, Small and medium enterprises, Impact.

70. Management Systems International, "IFI Loan Case Study," Washington, D.C.: MSI, Report prepared for the Office of Program Review, Bureau of Private Enterprise, USAID, Pre-Project No. 940-0002.36, March 1988, 115 p.

An evaluation of the effectiveness of the guarantee facility established by USAID in Ecuador is presented in this report. The guarantee is provided to banks that lend to small and medium enterprises. Project officers, lenders and borrowers were interviewed for the study. The guarantee fund was underutilized due to inadequate loan promotion by the banks, high collateral requirements, and changes in economic conditions after the program was implemented. Careful monitoring and faster responses to changing conditions are suggested to ensure greater program success. [7388]

Key: Ecuador, USAID guarantee, Small and medium enterprises.

71. Management Systems International, "Micro-Lending Guarantee Fund: ACCION International, Latin America," Washington, D.C.: Management Systems International, Report Prepared for the Office of Investment, Bureau of Private Enterprise, USAID, Project Number 940-0002.44, 1990, 113 p.

The purpose of this evaluation report is to learn lessons from the USAID initiated revolving fund project that guarantees loans made by commercial banks to participating ACCION

Affiliates who serve small and microentrepreneurs in Mexico and Paraguay. The impact of the guarantee scheme was more significant on participating institutions than on borrowers. Modification of standard banking practices to increase services to microentrepreneurs, adding savings component in microlending programs and charging fees and interest fees to cover costs are recommended. [7368]

Key: USAID Guarantee, Mexico, Paraguay, ACCION Affiliates, Impact, Small and microenterprises.

72. Management Systems International, "Lessons from Experience: The Uses and Limitations of Projects in Improving Capital Markets for Small Businesses, Volume III," Washington, D.C.: Management Systems International, Report prepared for Office of Development Planning, USAID, June 1989, 68 p.

This report summarizes the lessons learnt from the financial projects implemented by the Bureau of Private Enterprise of the USAID in several developing countries. The financial projects included direct loans to small and medium enterprise, direct loans to financial intermediaries and loan guarantee facilities. Seven loan guarantee programs implemented in Morocco, Thailand, Indonesia, The Philippines, Dominican Republic, Ecuador, Mexico and Paraguay are discussed. The projects were found to be generally small in relation to the economies in the host countries. The impact of the projects was significant at the institutional level in terms of their lending to small and medium enterprises without subsidies rather than at the borrower level in terms of employment and incomes. The careful accounting of loans made using the guarantees is recommended to evaluate the impact of the guarantee programs. [7414]

Key: USAID guarantee, Morocco, Thailand, Indonesia, The Philippines, Dominican Republic, Ecuador, Mexico and Paraguay, Small and medium enterprises, Impact.

73. Management Systems International, "Banco de Desarrollo Finade, IFI Loan Case Study," Washington, D.C.: MSI, Report prepared for the Office of Program Review, Bureau of Private Enterprise, USAID, Pre-Project No. 940-0002.25, 1988, 66 p.

This is an evaluation report of USAID's revolving fund in Dominican Republic that functioned as a guarantee fund to increase bank loans to private enterprises. The fund was found to enhance a producer's export capability and generate substantial employment. The success of the program was attributed to the local intermediary who manages the guarantee facility. The program was later terminated due to illiquidity in the banking sector. [7381]

Key: Dominican Republic, USAID guarantee, Liquidity, Private enterprises, Impact.

74. Management Systems International, "Strategic Assessment of the Availability of Commercial Financing for Small and Medium Scale Enterprises in Botswana and Evaluation of the Bureau for Private Enterprise's Loan Guarantee Facility," Washington, D.C.: MSI, Report Prepared for USAID/Botswana, November 1990, 81 p.

This paper reports on an evaluation of the USAID guarantee program implemented in Botswana in 1988 to provide loans to small and medium enterprises by strengthening the capabilities of the commercial banks to expand their lending to the sector. The study shows that there was limited awareness of the use of the guarantee facility among the participants and the utilization rate has been very low. An evaluation of 20 borrowers of which 50 percent were guaranteed borrowers showed that although guaranteed borrowers achieved a marked increase in their sales, a relatively small amount of additional employment was created. It was concluded that it is unlikely that the project activity will be sustained after the withdrawal of USAID support. Recommendation was made to streamline the reporting requirements by the banks on sub-borrower information for careful future evaluation of the program. [7372]

Key: Botswana, Impact, Small and medium enterprises, USAID guarantee, Sustainability.

75. Mandel, Alan, S., "SBA Guaranteed Loans," Economic Development Commentary, Vol. 17, No. 3, 1993, pp. 20-25.

This paper reports on the Price Waterhouse study that evaluated the U.S. Small Business Administration (SBA) guaranteed loans. The SBA loan recipients were much newer into small businesses, and grew more rapidly in revenues, sales, employment and taxes compared to the control group. Several loan recipients also graduated in their ability to obtain unguaranteed loans from the banks. The author concludes that SBA loan guarantee program is a useful tool for economic development.

Key: Small businesses, Impact, USA, Small Business Administration.

76. McKean, Cressida, "Experience with Guarantee Authorities: A Brief Overview of the Issues," Washington, D.C.: USAID, Center for Development Information and Evaluation, Working Paper No. 185, October 1994, 8 p.

This paper discusses key issues arising from evaluations and reviews of guarantee programs implemented by several donors and governments to derive implications for the expansion of the USAID's guarantee facility. Designing, implementing and monitoring guarantee programs involved considerable human resources and finding cooperative bankers was

difficult. Technical assistance and training for the bankers were required to ensure the long term effect of the guarantee program. [7393]

Key: USAID guarantee, Small and microenterprises.

77. Merton, Robert C. and Zvi Bodie, "On the Management of Financial Guarantees," Financial Management, Winter 1992, pp. 81-109.

The analysis provided in this paper is relevant to the evaluation of contracts with explicit and implicit guarantees. Methods used by guarantors to manage and control the cost of providing guarantees are discussed. The cases of the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC) are presented to derive implications for government supported guarantee programs. [7389]

Key: Government guarantee, FDIC, FSLIC, USA, Costs of Guarantees.

78. Meyer, Richard L. and Geetha Nagarajan, "Credit Guarantee Schemes for Developing Countries: Theory, Design and Evaluation," Columbus: Department of Agricultural Economics and Rural Sociology, Report Prepared for the Africa Bureau of USAID/Washington, Barents Group LLC, May 1996, 92 p.

This report discusses the key issues concerning the theory, design and evaluation of credit guarantee schemes implemented to increase bank lending to small, medium and microenterprises and agriculture sector in developing countries. Programs in Africa are described and schemes found in Asia and Latin America are discussed to derive implications for Sub Saharan Africa. The paper concludes that the impact of several credit guarantee schemes in developing countries is minimal but rigorous evaluation techniques are required to better examine the impact of credit guarantee schemes. [7419]

Key: Sub-Saharan Africa, Asia, Latin America, Impact, Design of guarantee programs, Small, medium and micro enterprises, Agriculture.

79. Meyer, Richard L. and Geetha Nagarajan, "Import Substitution and Export Promotion: Prospects for the Horticultural and Poultry Subsectors in Swaziland," Columbus: Department of Agricultural Economics and Rural Sociology, The Ohio State University, ESO No. 2192, December 1994, 46 p.

To increase the flow of formal credit to risky sectors including exporters and small businesses, the Government of Swaziland established in the Central Bank the Small-Scale Enterprise Loan Guarantee Scheme and the Export Finance Loan Guarantee Scheme. There

appears to be little additionality due to these schemes in terms of an increased number of loans made or larger sized loans made to risky enterprises. Although the actual defaults on loans guaranteed through these schemes have been reported to be low, large provisions have been made for future losses. The commercial banks are reluctant to utilize the guarantee facilities because they can obtain 100 percent collateral from their borrowers compared to only a 75-85 percent coverage from the guarantees, and because the settlement of claims has involved tedious and expensive procedures. [7002]

Key: Government guarantee, Small enterprises, Export guarantee, Swaziland, Collateral.

80. Meyer, Richard L., and Geetha Nagarajan, "Comments on Gudger's Paper on Sustainability of Credit Guarantee Systems," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996, 3 p.

This discussion paper reflects the reactions to the paper presented by Gudger on sustainability of credit guarantee systems at the IDB Round Table conference. Factors responsible for sustainability, governance issues, and relationship between sustainability and additionality are recommended to be considered in examining sustainability of guarantee programs. It is suggested that programs that provide larger benefits to winners than losers can be cost effective. [7349]

Key: Sustainability, Additionality, Costs, SMEs, Developing countries.

81. Meyer, Richard L., and Geetha Nagarajan, "Evaluating Credit Guarantee Programs in Developing Countries," Columbus: The Ohio State University, Department of Agricultural Economics and Rural Sociology, ESO No. 2322, June 1996, 14 p.

The paper discusses the key issues involved in evaluating credit guarantee programs for agricultural and small enterprise lending in developing countries. A review of the results of evaluations shows that there is little quantitative information to clearly support the use of guarantee programs to stimulate lending in developing countries.

Key: Evaluation, Developing countries, SMEs.

82. Ministry of Trade and Industry of South Africa and The World Bank, "Establishing a Financial Apex for Emerging Enterprises in South Africa," Washington, D.C.: The World Bank, March 1995, 94 p.

A guarantee scheme to guarantee and refinance small, medium and microenterprise portfolio loans made by banks in South Africa is proposed in this paper. The scheme is to be funded and managed outside the financial apex set up to improve access to financial services by emerging enterprises. A portfolio approach and a tiered guarantee structure where the guarantee coverage is commensurate with the riskiness of the portfolio are recommended. [7379]

Key: Financial Apex, Emerging enterprises, South Africa, Government guarantee, Small, medium and microenterprises, Portfolio approach, Tiered guarantee structure.

83. Ministry of Trade and Industry of South Africa and The World Bank, "Framework for Providing Financial Services to Emerging Enterprises in South Africa," Washington, D.C.: The World Bank, Paper Presented at the Workshop on Small, Medium and Micro Enterprise Development and Financing, November 11, 1994, 27 p.

This paper proposes a financial services apex facility that provides refinancing, capitalization, guarantees, institutional development funds and technical assistance to banks, NGOs, development corporations to broaden access to financial services by emerging small, medium and microentrepreneurs. The impact of guarantee schemes operated by the Small Business Development Corporation (SBDC) and USAID on expanding access to emerging entrepreneurs to bank loans has been limited. Careful examination of the schemes is recommended before expanding the current or implementing new guarantee programs. [7387]

Key: USAID guarantee, Government guarantee, Small, medium and micro enterprises, South Africa, Financial Apex, Emerging enterprises.

84. Mody, Ashoka and Dilip K. Patro, "Valuing and Accounting for Loan Guarantees," The World Bank Research Observer, No. 1, Vol. 11, Feb. 1996, pp. 119-142.

The authors review several methods used for valuation of government guarantees, and on methods of accounting designed to anticipate losses and create reserves to ensure that the costs of guarantees are transparent. Governments are recommended to establish strict accounting, valuation and risk sharing mechanisms to minimize guarantee costs. [7355]

Key: Value of guarantees, Risk sharing, Guarantee costs.

85. Moore, B.J. and G.A. Schoombee, "Bank Credit to the Informal Sector: Challenge and Reward," Development Southern Africa, Vol. 12, No. 3, June 1995, pp. 347-360.

The authors examine the constraints and potential in servicing the informal sector in South Africa. There is a lack of link between formal banks and informal sector but several innovations such as community development banking that bring banks closer to its clients and group lending have been developed to address the problem. The authors suggest that a microloan guarantee fund, financed in part by a government subsidy and in part by the loss related fee on banks, that covers stipulated portion of the losses incurred on microloans made by banks can encourage more loans to the informal sector. [7194]

Key: South Africa, Microloan guarantee fund, Informal sector.

86. Nelson, C.H. and Loehmal, "Further Toward a Theory of Agricultural Insurance," American Journal of Agricultural Economics, 1987, pp. 523-531.

The economic theory of contracts is applied to agricultural insurance to show that, given full information, Pareto-optimal insurance contracts are actuarially fair, provide full coverage, and differ for each individual. The information problems of moral hazard and adverse selection prevent Pareto optimality from being attained. Several second-best solutions to these problems are applied to agricultural insurance. It is shown that information collection and the application of contract design principles are second-best solutions which may achieve the benefits of insurance at a lower cost than the current practice of public subsidies.

Key: Agriculture, Insurance, Moral hazard, Adverse selection.

87. Njoku, J.E. and P.C. Obasi, "Loan Repayment and its Determinants Under the Agricultural Credit Guarantee Scheme in Imo State, Nigeria," Savings and Development, Vol. 2, 1991, pp. 167-180.

The Agricultural Credit Guarantee Scheme implemented in 1977 in Nigeria to facilitate small farmers' access to bank loans to stimulate agricultural production is examined in this paper. Although there has been an increase in financing to the agricultural sector, the overall impact of the program has been minimal. Default rate was high and the poor repayment rate on guaranteed loans was attributed to low output and profitability of the enterprises funded. The screening of borrowers placed under guarantees was lax and monitoring was minimal. The loans were disbursed untimely and little effort was exerted to collect on the loans. It is recommended that the program improve its repayment rates for sustainability. [5026]

Key: Nigeria, Agriculture, Government guarantee, Loan repayment.

88. Oehring, Eckart, "Credit Guarantee Scheme for the Small Business Sector," Switzerland: FUNDES, Paper Presented at the Conference Creating Local Guarantee Funds in Poland held in Warschua, Poland, March 22, 1994, 27 p.

This is an interim assessment of FUNDES guarantee program after eight years of operation in Latin America. The countries include Panama, Cost Rica, Guatemala, Colombia, Bolivia and Chile. FUNDES program provides management training and business consultancy in addition to credit guarantees to small entrepreneurs. Considering the default and capital loss, the guarantee scheme is considered a success. However, it has been observed that banks do not consider FUNDES guarantee very attractive. A shift from a selective to a global approach in guaranteeing loans in a target sector is suggested to increase the coverage of the program. [7416]

Key: FUNDES guarantee, Small and microenterprises, Panama, Costa Rica, Guatemala, Colombia, Bolivia, Chile, Selective approach, Global approach.

89. Oehring, Eckart, "Experience with Loan Guarantee Funds for Promotion of Small Enterprises in Latin America," United Nations, New York: Savings and Credit for Development, Report of the International Conference on Savings and Credit for Development held in Klarskovgard, Denmark, May 28-31, 1990, pp. 250-265.

Notes the loan guarantee schemes exist in almost all of the industrialized countries, originating in the solidarity and self-help tradition of guilds and cooperatives. The results obtained in transplanting similar schemes to third world countries, using external financing, have generally been negative. Argues that credit guarantee schemes can be useful instruments for promoting small enterprise development, but that the precise aims of the funds and the firms to be targeted, and the manner in which they are administered must be clear and in accordance with market economics. Describes the experiences of FUNDES, a development program organized by private business in Switzerland, in implementing credit guarantee programs in Latin America.

Key: FUNDES guarantee, Latin America, Small enterprises.

90. Oehring, Eckart, "Credit Guarantee Scheme for the Small Business Sector," New Perspectives on Financing Small Business in Developing Countries, Ernst A. Brugger and Sarath Rajapatirana, eds., California: Institute for Contemporary Studies Press, 1995, pp. 123-146.

The rationale for credit guarantee schemes based on high costs of microloans, lack of collateral among microentrepreneurs and lack of financial technologies among banks to provide small loans is examined. The credit guarantee programs established by FUNDES in six

Latin American countries of Panama, Costa Rica, Guatemala, Colombia, Bolivia and Chile are described. FUNDES follows a selective guarantee program where individual loan applications are examined and referred to the banks for loans. The applications are backed up with a 50 percent FUNDES guarantee on borrower's deficient payments. As of 1992, FUNDES has guaranteed more than 2,200 small entrepreneurs in Latin America and the default rate, after six years of operation, has been low. The costs per dollar guaranteed was observed to decline with an increase in volume of loans guaranteed. The paper concludes that FUNDES program has been effective but needs to switch to a global approach wherein all loans made to a target sector are eligible for FUNDES guarantee in order to increase the program coverage. An increase in percentage of FUNDES guarantee and reduction in premiums are also suggested to induce banks and low-risk borrowers in a sector to apply for a guarantee. [7402]

Key: FUNDES guarantee, Small and microenterprises, Panama, Costa Rica, Guatemala, Colombia, Bolivia, Chile, Selective approach, Global approach.

91. Oehring, Eckart, "Experiencias Del Sistema de Garantias en America Latina FUNDES: Modelo, Resultados y Perspectivas," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996, 16 p, (Spanish).

The performance of guarantee programs by Fundes in several Latin American countries are discussed in terms of their additionality, costs and fees. The program is based on a selective approach where the guarantor evaluates and monitors every applicant for the guarantee. The bankers were not enthusiastic about the program and the guaranteed loans incurred high defaults. A mutual guarantee scheme is suggested as an alternative model. [7482]

Key: FUNDES, Latin America, Additionality, Fees, Costs, Mutual guarantee.

92. Painter, Flora, "Review of ACCION International Affiliates in Chile, Paraguay, and Costa Rica," Washington, D.C.: Coopers and Lybrand, Report prepared for the Office of Investment, Bureau of Private Enterprise, USAID, Project Number 940-2002, September 1991, 70 p.

This report evaluates the impact of the USAID guarantee facility on local affiliates of ACCION International in Chile, Paraguay and Costa Rica. The guarantee facility has enabled the affiliates to borrow from the local banks. No causal relationships were found between guaranteed loans and borrower's sales, income and employment. A combination of credit, training and technical assistance is suggested for realizing a positive impact of the guarantees at the borrower level. [7376]

Key: USAID Guarantee, Impact, Chile, Paraguay, Costa Rica, ACCION International, Small and microenterprises.

93. Palmer, E., "The Agricultural Credit Guarantee Scheme," The Development of Nigerian Agriculture: Suggestions for the Future, Adeniyi Osuntogun, Philippe Chasse and Rex Ugorji, eds., Nigeria: Evansbros Publishers Ltd, 1980, pp. 143-146.

The policy, administrative and financial guidelines of the Agricultural Credit Guarantee Scheme Fund established in Nigeria to increase bank lending to small farmers are reviewed in this paper. The key problems facing the scheme such as rising defaults, inadequate evaluation of projects by banks and loan diversification by borrowers are also examined. Cooperation between banks and extension services and linkages with cooperative societies are suggested to improve the impact of the guarantee scheme. [7417]

Key: Nigeria, Agriculture, Small farmers, Impact, Government guarantee.

94. Pathak, K.B., "Credit Guarantee Schemes for Small Scale Industries: Some Operational Problems of Banks," State Bank of India Monthly Review, January 1990, pp. 14-26.

The credit guarantee scheme operated by the deposit insurance and credit guarantee corporation since 1981 in India to increase bank loans made to small scale industries is described in this paper. High guarantee fee and low coverage discouraged banks from participating in the program. Mandatory requirements to lend to small scale industries has also reduced voluntary participation by banks in the guarantee program. [6388]

Key: Government guarantee, India, Small scale industries, Guarantee fee and coverage.

95. Pomareda, Carlos, Financial and Management of Agricultural Development Banks, Boulder: Westview Press, Replica Editions, 1984, 180 p.

The book analyzes the impact of various policies that reduce risks of lending on the growth of agricultural development banks. The policies include credit insurance, reduction of subsidies and increase in interest rates. Credit insurance is observed to produce benefits to agricultural development banks that issue a large number of loans. But the author cautions that the results cannot be generalized to other banks.

Key: Insurance, Development banks, Subsidy, Agriculture.

96. Prabhu, K. Setta, "Crop-Credit Insurance: Some Disturbing Features," Economic and Political Weekly, Vol. 21, 1986, pp. 1866-1869.

Author describes a new crop insurance scheme introduced in India in 1985. A major reason for introducing the program was to increase the chances of some farmers getting formal loans. The program is restricted to borrowers of formal loans who grow major crops. The author is particularly concerned about setting the premium rates and the degree of subsidization of these rates for various classes of rural borrowers. [0108]

Key: Agriculture, Insurance, India.

97. Price Waterhouse, "Evaluation of the Small Business Administration's 7(a) Guaranteed Business Loan Program," Washington, D.C.: Price Waterhouse, Report prepared for the U.S. Small Business Administration, March 1992, 47 p.

The Small Business Administration 7(a) guaranteed business loan program in the U.S. designed to promote small business formation and growth by guaranteeing long-term loans to qualified small businesses is evaluated in this report. Conclusions were drawn based on a survey of representative sample businesses that received guaranteed loans and a control sample that was similar in terms of size and industry but had never received a guaranteed loan. The firms that received guaranteed loans were newer to business than the comparison group. Guaranteed loans were used for financing start-up costs compared to commercial loans that were used by the comparison group to expand the business. Guarantees facilitated the borrowers to receive loans with favorable terms. The firms that received guaranteed loans grew significantly more in terms of sales and revenues than the comparison group, and had a positive opinion of the program. [7366]

Key: Government guarantee, Small business, USA, Impact.

98. Quedancor, "Quedan and Rural Credit Guarantee Corporation," Manila: Quedancor, Report prepared for the Philippines 2000, 1994, 28 p.

This collection of brochures describes the several loan guarantee programs and guaranteed co-financing programs in operation in the Philippines. The objectives, eligibility criteria, terms and conditions, guarantee coverage and fees are described for each of the guarantee programs. The guarantee programs target the sectors of agriculture, small and medium enterprises and aquaculture. [7362]

Key: Government guarantee, The Philippines, Small and medium enterprises, Agriculture, Aquaculture.

99. Reddy, Sarath K., "Institutions for Sustainable Development: The Case of Agricultural Marketing Foundation and Agricultural Marketing Loan Guarantee Fund: Guinea - Lessons Learned," Guinea: USAID, May 1995, 11 p.

The experiences of the agricultural marketing loan guarantee fund established by USAID in Guinea are discussed in this paper. Commitment of ultimate beneficiaries in terms of time and money, sustained commitment of bank officials, flexible design, and fees to cover for costs and claims are recommended as measures to attain sustainability.

Key: Guinea, Agriculture, USAID Guarantee, Sustainability.

100. The Republic of Slovenia Fund for Small Business Development, "Annual Report, 1996," Ljubljana, Stefanova: The Republic of Slovenia Fund for Small Business Development, 1996, 53 p.

The guarantee fund was started in 1992 to increase access to bank loans for small businesses that employ 50-120 employees in manufacturing and services sector. The operation design, volume and number of guarantees issued since 1992, costs of servicing the guarantees, default rates and premium incomes are reported. Default rate is reported to be around 30 percent of the total outstanding guarantees. [7385]

Key: Slovakia, Small business, Costs, Premiums, Default.

101. RG Blaney Urban Systems Inc., "The Credit Guarantee Company (CGC): Egypt," Washington, D.C.: RG Blaney Urban Systems Inc., October 1994, 8 p.

This paper describes the organizational structure and performance of the Credit Guarantee Company in Egypt established by USAID to increase bank lending to small and medium scale enterprises and newly established medical practitioners. The design of the guarantee facility is found to be ideal and the company is considered as a credible guarantor. The banks have been enthusiastic in using the guarantee facility to lend to the targeted clientele. The claim rates have been low and the fund is viable. Training and technical assistance by donors is recommended. [7391]

Key: Credit Guarantee Company, Egypt, USAID guarantee, Small and medium enterprises.

102. Rhyne, Elizabeth, H., Small Business, Banks, and SBA Loan Guarantees: Subsidizing the Weak or Bridging a Credit Gap?, New York: Quorum Books, 1988, 178 p.

The credit guarantee program administered by the Small Business Administration (SBA) in the U.S. is evaluated in this book. The interplay between political and economic goals and performance standards, relationship between default rates and subsidy paid by the government, and the program's ultimate purposes are discussed in detail. Lending through certified and preferred lenders using reduced guarantee coverage and appropriate guarantee fee are recommended for SBA in order to reduce defaults and attain viability.

Key: Small Business Administration, Evaluation, Subsidy cost, Defaults, Guarantee coverage and fees, Government guarantee, USA.

103. Riding, Alan, L., "On the Care and Nurture of Loan Guarantee Programs," Ottawa: Carleton University, School of Business, 1996, 45 p.

A theoretical rationale for loan guarantees is provided and the Canadian loan guarantee program (SBLA) is examined in this paper. The issues of program design are discussed using the principal-agent framework. The SBLA is reported to incur low administration costs, to experience low default rates and to have increased access to bank loans for SMEs. There were economic incentives for lenders but a small subsidization of riskier firms was noticed. A rigorous analysis of social welfare cost and benefits of the program is recommended. [7354]

Key: Principal-agent, Canada, Costs, Benefits, Subsidy, Defaults, Program design.

104. Riding, A.L., "Comments on R.C. Vogel and D.W Adams, "Costs and Benefits of Loan Guarantee Programs"," Discussion Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996, 6 p.

The author primarily comments on the paper presented at the IDB Round Table conference by Vogel and Adams on the rationale of credit guarantee programs, and secondarily provides information on the costs and benefits of the Canadian loan guarantee program, SBLA. The SBLA is reported to be currently operating with no subsidy from the government, to be benefiting the lenders, and to charge premiums high enough to promote additionality without adverse selection. [7485]

Key: Canada, Costs, Benefits, Additionality, Subsidy, Market inefficiency.

105. Schuett, von Friedrich H., "The German System of Credit Guarantee Companies to Promote Small and Medium Sized Enterprises," Hamburg: German Guarantee Association, September 1995, 4 p.

The author describes the operational methods of *Burgschaftsbanken*, a national system of Credit Guarantee Companies, that provide credit guarantees to small and medium sized enterprises and independent professionals. The credit guarantee companies cover 80 percent of the losses on loans made to small and medium businesses. The guarantee companies are counter guaranteed free of charge by federal and state governments for 65 percent of the losses made on small and medium business portfolio. The guarantee losses during their 40 year existence have been reported to be three to four percent of the total amount guaranteed. The companies are now guaranteeing leasing contracts and venture capital deals. The author concludes that the future of these companies is promising. [7408]

Key: Germany, Credit Guarantee Company, Small and medium enterprises, Counter guarantee.

106. Schuett, von Friedrich H., "Das Kreditgarantiesystem in der Türkei zur Forderrung kleiner und mittlerer Untrenehmen," Hamburg: German Guarantee Association, November 1995, 2 p, (German).

This paper describes the credit guarantee program in operation in Turkey since 1991 with the help of GTZ. The banks are guaranteed up to 80 percent of the principal loan losses. The program currently operates on state subsidies. Ineffective monetary policies is suggested to deter the effective functioning of the program.

Key: GTZ Guarantee, Turkey, Subsidy.

107. Seibal, Hans Dieter, "Credit Guarantee Schemes in Small and Microenterprise Finance: Do They Really Do More Good Than Harm? - The Case of The Philippines," Quarterly Journal of International Agriculture, Vol. 34, No. 2, April-June 1995, pp. 171-179.

Four government guarantee schemes in operation in The Philippines to promote agriculture and small businesses are examined in this paper. Analysis shows that these guarantee schemes form part of social banking and are institutionally unviable. The schemes restrict rather than encourage bank lending and offer no solution to the problems faced by small and microenterprise finance. They seem to do more harm than good. It is recommended to leave risk management either to banks or to small and microentrepreneurs and their grassroots

solidarity arrangements. Linking solidarity groups and banks using mutual credit guarantee model, as promoted by GTZ in various Asian and African countries, is recommended. [7279]

Key: The Philippines, Government guarantee, Mutual Credit Guarantee, GTZ guarantee, Small and micro enterprises, Agriculture.

108. Shared Interest, "Themban International Guarantee Fund," New York: Shared Interest, 1996, 4 p.

This pamphlet describes the guarantee program initiated by Shared Interest, an NGO of the USA and RAFAD (Research and Applications of Alternative Financing for Development) in Europe to increase lending to SMEs in South Africa. The funds raised by Shared Interest and RAFAD are used as a guarantee for loans made by South African commercial banks to community development financial institutions and NGOs that lend to small and micro enterprises. The program started operation in 1996.

Key: South Africa, Shared Interest, RAFAD, NGOs, SMEs.

109. Sherrick, Bruce J., "A Simple Valuation Model for Loan Guarantees and a Comparison of a State and Federal Program," Urbana: Department of Agricultural Economics, University of Illinois, May 1993, 29 p.

Two loan guarantee programs, the Federal Home Administration that guarantees up to 90 percent of the principal and accrued interest of the loan defaulted and the Illinois Farm Development Authority that guarantees up to 85 percent of the principal and interest after the first 15 percent of the principal amount is realized by the lender, are evaluated. A dynamic programming model developed to study the programs shows that the value of the guarantee decreases as initial collateral coverage increases, but at decreasing rates. Lengthening the term of the guarantee tends to improve the likelihood for firm survival but decreases the value of the guarantees. [7401]

Key: USA, Agriculture, Valuation, Guarantee coverage.

110. Smyth, Dennis M., "Evaluation of PRE/I program with ACCION International," Washington, D.C.: Office of Investment, Bureau for Private Enterprise, USAID, September 1991, 90 p.

This report is an evaluation of the USAID loan guarantee facility established with ACCION International to provide loans to small and microentrepreneurs in Mexico, Ecuador, Costa Rica, Paraguay and Chile. The guarantee fund has increased access of the ACCION affiliates

to bank loans and has helped establish good banking relationships between the banks and the affiliates. The training and supervision of the affiliates by ACCION has significantly facilitated implementation of the guarantee program. Several positive experiences and problems faced by the affiliates in implementing the programs are documented. [7380]

Key: USAID guarantee, ACCION guarantee, Mexico, Paraguay, Chile, Costa Rica, Ecuador, Small and microenterprises, Evaluation.

111. Stearns, Katherine, Leverage or Loss? Guarantee Funds and Microenterprises, Washington, D.C.: ACCION International, Monograph No. 8, July 1993, 100 p.

This monograph examines the potential of guarantee funds to increase financing to microentrepreneurs in developing countries. The document explores the design and effectiveness of guarantee schemes under the individual, portfolio and intermediary models of guarantee programs. The intermediary model used by ACCION International in Ecuador and Colombia are described in detail and compared to several guarantee schemes in Asia and Africa. High guarantee coverage, political pressure, irresponsible lending, poor division of risk and responsibilities, and inexperience in lending to small and microentrepreneurs are found to contribute to failure of individual and portfolio model based guarantee schemes. The author shows that although there are few weaknesses with intermediary guarantee model, it can increase financing to small and microentrepreneurs compared to other models. The intermediary model shares risk and responsibilities among the guarantors, lenders and the borrowers, and reduces transaction costs. The intermediary's relationship with the guarantor discourage defaults. The intermediary model also corrects for the inexperience that contribute to low levels of utilization of the guarantee funds in other models. [7409]

Key: Individual, Portfolio and Intermediary Models of Credit Guarantee Schemes, ACCION International, Colombia, Ecuador, Bridge Fund, Small and micro enterprises, Transaction costs.

112. Thillairajah, Sabapathy, "Development of Rural Financial Markets in Sub-Saharan Africa," Washington, D.C.: The World Bank, Africa Technical Department Series No. 219, 1994, 142 p.

Rural financial operations including loan guarantee schemes found in Sub-Saharan Africa with focus on savings mobilization, improving loan portfolio management and reducing transaction costs are synthesized in this report. Use of mutual group guarantees in Malawi as collateral substitutes is discussed. [6050]

Key: Mutual group guarantees, Sub-Saharan Africa, Transaction costs, Collateral substitute, Malawi.

113. USAID, "Burundi's Financial Sector: Summary," Washington, D.C.: USAID, July 1989, 5 p.

This paper provides brief information on the *Fonds National de Garantie*, a guarantee institution that was started by Government of Burundi in 1988 to provide guarantees to small and microentrepreneurs with insufficient collateral to access bank loans. The fund is set up as a limited liability company with an ownership structure subscribed between the Government of Burundi and local banks. The institution assesses individual borrowers and recommends them for bank loans with a 58 percent guarantee back up to cover for loan losses. In 1989, the fund received 17 requests for over BuF 1.1 million (43 percent of the total loans applied by the target sector to all banks) but there has been no guarantees issued under this program. It is suggested that the institution requires technical assistance to evaluate credit risks and manage risky portfolios. [7486]

Key: Burundi, Government guarantee, Small and microenterprises.

114. USAID, "Micro and Small Business Loan Portfolio Guarantee Program," Washington, D.C.: Office of Investment, Bureau of Private Enterprise, USAID, 1995, 58 p.

The rationale, objectives and design features of the Loan Portfolio Guarantee Program implemented by USAID in developing countries are described in this report. Data on volume of guaranteed loans issued and claims paid as of 1993 are provided for the regions of Asia, Africa and the Latin America. [7373]

Key: USAID Guarantee, Asia, Latin America, Africa.

115. USAID, "Design and Management of Credit Projects for Small and Medium Scale Enterprises: Guidelines for Working with Commercial Financial Institutions," Washington: Bureau for Private Enterprise, USAID, November 1988, 56 p.

This guidebook provides a description of the types of assistance, implementation designs and lessons learnt through the private sector revolving fund established in 1983 to encourage private enterprises to stimulate economy. The mechanisms for assistance under the fund include direct loans and loan guarantees to intermediate financial institutions, and direct loans to individual projects. The most important rule in design of a guarantee scheme is that it should not cover 100 percent of the credit risk faced by a financial intermediary. Guarantees in the range of 50-80 percent seem to be effective. USAID programs that provide 50 percent guarantee coverage have been successful. To be cost effective without subsidization, it is suggested that guarantee programs cover a wide range of population

within a target group so that riskier clients are cross-subsidized, and to rely on banks to do loan appraisal. [1808]

Key: USAID guarantee, Private enterprises, Portfolio approach, Guarantee coverage, Subsidy.

116. USAID, “Audit of the Activities of the Bahamian Agricultural Credit Guarantee Fund,” Washington, D.C.: USAID, Audit Report No. 9-000-91-005, March 1991, 10 p.

The activities of the Agricultural Credit Guarantee Fund administered by USAID in the Commonwealth of Bahamas is evaluated in this report. The study found that the fund was not managed and monitored well by USAID. The utilization of the fund by the banks was low and guaranteed loans suffered high default rates. It was recommended to terminate the guarantee facility since it did not increase the lending to the target sector. [7390]

Key: USAID Guarantee, Bahamas.

117. USAID, “South African Programme of the USAID,” Johannesburg: USAID, August 1995, 10 p.

This paper briefly outlines the guarantee programs implemented by USAID to facilitate black private sector development. It describes the private sector housing guarantee program, basic shelter housing guarantee program and small business loan portfolio guarantee program. [7415]

Key: South Africa, Housing loan guarantees, SMEs, USAID.

118. Villani, Kevin, “Comments on: Loan Guarantees and Crowding Out,” Congressional Budget Office, The Congress of the United States: Proceedings of the Conference on the Economics of Federal Credit Activity: Part I, 1980, pp. 39-50.

The author, while commenting on a paper that shows the crowding out of private investment by federal loan guarantees, shows that federal guarantees make financial instruments homogeneous at no cost to the government. Homogenization of financial instruments is considered important for secondary markets since it reduces the transaction costs of trades and improves market efficiency. The author claims that the major danger in use of guarantee lies in its potential to subsidize the operations by setting the premium below an actuarially sound level rather than in its crowding out effect. [7411]

Key: Crowding out, Federal guarantee, Transaction costs, Secondary market, Subsidy, Premium.

119. Vogel, Robert, C and Dale W Adams, "Rationale for Establishing Credit Guarantee Systems," Paper Presented at the Round Table on Credit Guarantee Systems: International Experiences and Lessons for Latin America and the Caribbean, Inter-American Development Bank, Washington, D.C., June 27-28, 1996, 15 p.

The extent to which loan guarantees address financial market imperfections and the issues in analyzing the costs and benefits of the guarantee programs are discussed. It is concluded that the design of several schemes do not address financial market imperfections, that several schemes involve subsidies, that evaluations of these programs do not report costs, and that benefits of these programs are not carefully documented and additionality not measured correctly. A careful documentation of the programs is recommended. [7351]

Key: Additionality, Market imperfections, Subsidy, Costs, Design, Benefits.

120. von Stockhausen, Joachim, "Credit Guarantee Schemes: Scope and Limitations of Credit Guarantee Schemes for Small Farmer Development," Rome: FAO, 1987, 67p.

The author discusses the significance of credit guarantee schemes for financial markets and public credit guarantee funds. A two-stage credit guarantee scheme and external support are suggested.

Key: Two tier guarantee, Public guarantee.

121. von Stockhausen, Joachim, "Guarantee Funds and the Provision of Capital in the Self-Help Sphere," Rural Financial Markets in Developing Countries, J.D. Von Pischke, Dale W Adams and Gordon Donald, eds., Baltimore: The Johns Hopkins University Press, 1983, pp. 169-173.

The author suggests that a two-tier guarantee system, with collective guarantees by target group members and counter guarantees by a government agency, is more effective in promoting self-help activities than direct guarantees from public agencies. Guarantees should be an instrument to assist self-help among marginal groups. It is recommended that the development effects of guarantee programs are realized only when combined with measures to promote savings and increase the creditworthiness of the target group. Free guarantees are indirect subsidies that can destroy savings mobilization, and bad credits and low repayment rates will destroy guarantee programs.

Key: Two tier guarantee, Counter guarantor, Savings, Subsidy.

122. von Stockhausen, Joachim, "Credit Guarantee Schemes: A State-Of-The-Art Paper," Rome: FAO, January 1987, 69p.

Reviews three types of credit guarantees: individual, public and collective guarantees as external or collective provision of collateral. Public guarantee funds and their role are discussed. A two tier guarantee mechanism which can be utilized by self-help groups to evolve into credit guarantee associations is suggested. [3101]

Key: Two tier guarantee, Individual guarantee, Collective guarantee, Collateral.

123. von Stockhausen, Joachim, "Credit Guarantee Schemes for Small Farmers," London: Institut fur Wirtschaftsforschung, 1988, 71 p.

Several guarantee schemes implemented in developed and developing countries are reviewed to show that they are successful only if they increase borrower's credit worthiness rather than reduce the lender's default loss. The objective of credit guarantee schemes can be defined as encouraging financial institutions to lend to small businesses by reducing lender's risk and information costs as well as offering managerial and technical services to form a long-term relationship between the bank and the small clients. The author proposes a two tier credit guarantee scheme that consists of several mutual credit associations and a counter guarantor to stabilize the self-help potential of the mutual credit association by risk sharing. [3460]

Key: Two tier guarantee, Counter guarantor, Mutual credit associations, Small business, Developed countries, Developing countries.

124. Williamson, Stephen, D., "Do Informational Frictions Justify Federal Credit Programs?," Journal of Money, Credit and Banking, Vol. 26, No. 3, August 1994, part 2, pp. 523-551.

This paper examines the effects of three types of federal credit programs implemented by the U.S. government: direct government lending, loan guarantees and secondary market for private loans. Author suggests that if rationing exists without the loan guarantees, implementation of the program lowers the interest margins faced by the lenders, increases the interest rate faced by the borrowers and eventually increases the probability that a borrower is rationed. Therefore all credit market participants are worse off with guarantees. The paper suggests no additionality due to loan guarantee schemes. Concludes that government loan guarantees have no effect on the quantity of lending or the interest rates, if there is no credit rationing prior to government intervention. [7413]

Key: Rationing, USA, Government guarantee, Additionality.

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